ASSISTED LIVING CONCEPTS INC
Form ARS
March 24, 2011

* **-** wound up during the period.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of the financial condition and results of operations of our Company should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and the related condensed notes included elsewhere in this report and the audited financial statements and the related notes contained in our Annual Report on Form 20-F for the fiscal year ended March 31, 2008. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see the section in this report captioned Risk Factors

Overview

Sify is among the largest Internet, networking and e-Commerce services companies in India, offering end-to-end solutions with a comprehensive range of products delivered over a common Internet backbone infrastructure. This Internet backbone reaches more than 500 cities and towns in India. A significant part of the Company s revenue is derived from Corporate Services, which include corporate connectivity, network and communications solutions, security, network management services and hosting. A host of blue chip customers use Sify s corporate service offerings. Consumer services include broadband home access, dial up connectivity and the iWay cyber café chain across 164 cities and towns and online portals, such as www.sify.com, www.samachar.com and www.sifymax.in, that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links and related content sites specifically tailored to Indian interests worldwide. The Company s network services, Data Center operations and customer relationship management are accredited ISO 9001:2000.

Revenues

The primary operating segments of the Group are:

Corporate network/data services, which provides Internet, connectivity, security and consulting, hosting and managed service solutions;

Consumer one which includes:

Retail Internet access services, from homes and through cybercafés and

Online portal and content offerings.

Other services, such as development of content for e-learning.

Corporate network/data services

Our corporate network/data services revenues primarily include revenue from sale of hardware and software purchased from third party vendors, connectivity services revenue and, to a lesser extent, revenues from installation of the link and other ancillary services, such as e-mail, document management and domain registration. Generally, these elements are sold as a package consisting of all or some of the elements. Our connectivity services include Internet Protocol Virtual Private Network (IP-VPN) services, internet connectivity, last mile connectivity (predominantly through wireless access), messaging services, data management services (managed services), security services and web hosting for businesses. We provide these services for a fixed period of time at a fixed rate regardless of usage, with the rate for the services determined based on the type of service provided, scope of the engagement and the Service Level Agreement, or SLA. Our web hosting service revenues are primarily generated from co-location services and connectivity services. Our security services revenues include revenue from consulting services and information assurance services.

Consumer One Retail Internet access services and Online portals and content offerings

Internet access services revenues are generated from the internet connectivity we provide to our retail customers through public access and home access services. Home access services are provided through dial-up packs and broadband connectivity, which is provided through arrangements with Cable Television Operators (CTOs). Our public access services are provided through franchised and Company-owned cybercafés. Additionally, we generate revenue by providing Internet Telephony services, allowing customers to make international telephone calls over the Internet.

Online portal services and content offerings revenues include advertising revenues from the various channels of our Internet portal, www.sify.com. We enter into contracts with customers to serve advertisements in the portal, and we are paid on the basis

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of impressions, click-throughs or leads. Revenues also accrue from commissions earned on products and services rendered through *www.sifymall.com*, and also from value-added services that are rendered using our mobile telephone short code, 54545.

Other services

Other services include revenue from e-learning. We develop and upload content for e-learning to facilitate web-based learning in various organizations. We provide e-learning services on a time-and-material or on a fixed-price basis.

In Note 19 to the Unaudited Condensed Consolidated Interim Financial Statements, we provide supplemental segment data, which provides separate revenue and operating income (loss) information for each of these business segments. This information is available in Item 1 Financial Statements of this report and is incorporated herein by reference.

Expenses

Corporate network/data services

Cost of goods sold and services rendered for the corporate network/data services division consists of telecommunications costs necessary to provide services, customer support costs, and cost of goods in respect of communication hardware and security services sold , the cost of providing network operations , the cost of voice termination for VoIP services and other costs. Telecommunications costs include the costs of international bandwidth procured from Tata Teleservices and satellite gateway providers and are required for access to the Internet, providing local telephone lines to our points of presence, the costs of using third-party networks pursuant to service agreements, leased line costs and costs towards spectrum fees payable to the Wireless Planning Commission or WPC for provision of spectrum in the 5.7 GHz range to enable connectivity to be provided on the wireless mode for the last mile. Other costs include cost incurred towards Annual Maintenance Contract (AMC), cost of installation in connectivity business, cost incurred in providing Hosting services, and Document Management Services (DMS) cost for application services. In addition, the Government of India imposed an annual license fee of 6% of the adjusted gross revenue generated from the provision of IP-VPN services under the NLD/ILD license .

Consumer One Retail Internet access services and online portals and content offerings

Internet access services: Cost of goods sold and services rendered for the internet access services division consists of primarily recurring telecommunications costs necessary to provide service to subscribers, direct costs paid to franchisees for running cybercafés and to cable television operators for providing Internet services through cable to customers, the cost of goods sold and services rendered include commission paid to franchisees and cable television operators, voice termination charges for VoIP services. The Government of India imposed an annual license fee of 6% of the adjusted gross revenue from the provision of VoIP services. Another recurring cost included in cost of goods sold and services rendered is the personnel and related operating expenses associated with customer support and network operations.

Online portal and content offerings: Cost of goods sold and services rendered for the online portals and content offerings division includes the cost of procuring and managing content for the websites and cost of ringtones downloaded by using our mobile telephone short code 54545, the cost of procuring merchandise for e-commerce sales and the cost of bandwidth used for online portal services.

Other Services

Cost of revenues for the e-learning division includes the cost of direct manpower that is involved in the design and uploading of content for facilitating web-based learning.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consists of salaries and commissions for sales and marketing personnel, salaries and related costs for executives, financial and administrative personnel, sales, marketing, advertising and other brand building costs, travel costs, and occupancy and overhead costs.

Depreciation and amortization

We depreciate our tangible assets on a straight-line basis over the useful life of assets, ranging from two to eight years and, in the case of buildings, 30 years. We do not amortize goodwill or indefinitely lived intangible assets recognized . We assess for

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impairment of long-lived assets under IAS 36. The carrying value of long-lived assets is compared with the discounted estimated future cash flows at the identifiable cash generating unit level.

Operating Results

Revenues. We recognized Rs.1,572.00 million ($33.84 million) in revenues for the quarter ended September 30, 2008, as compared to Rs.1,471.50 million for the quarter ended September 30, 2007, representing an increase of Rs.100.50 million, or 6.82%. This is driven primarily by Rs 166.86 million or 18.06 % and Rs 39.45 million or 42.15 % increase in revenue from our Corporate network/data services and Other services respectively. The revenue growth has been impacted by Rs 105.81 million or 23.29 % decrease from our Consumer One services comprising of internet access services and online portals and content offerings.

Revenue from Corporate network/data services has increased by Rs 166.86 million, or 18.06 %, from Rs 923.52 million for three months ended September 30, 2007 to Rs 1090.38 million for three months period ended September 30, 2008 primarily due to: (i) increase of Rs 69.14 million or 11.87 % in the revenue from Connectivity Services caused by new orders from the existing and new customers, , (ii) increase of Rs 43.25 million or 65.12 % in Hosting Services caused by partial operationalisation of Airoli datacenter, (iii) increase of Rs 31.08 million or 79.28 % in Voice BPO Services caused by the launching of ILD service in July, 2008, (iv) increase of Rs.30.92 million or 56.91 % in Application Services due to additional growth from the existing and new clients, v) increase of Rs.7.07 million or 22.39 % from Safescrypt due to growth in business and (vi) increase of Rs.3.60 million or 371.13 % from Managed Services due to addition of new accounts. The increase is partially offset by a decrease of Rs 3.04 million or 42.64 % in the revenue from Sify Secure Services due to lack of implementation of major projects and . (ii) decrease of Rs 15.16 million or -10.70 % in Hardware/Software sales on account of drop in business.

Revenue from Consumer One services has decreased by Rs 105.81 million or 23.29 % from Rs 454.38 million for three months ended September 30, 2007 to Rs 348.57 million for three months ended September 30, 2008. This is driven by Rs 106.47 million or 26.31% decrease in revenue from our Internet Access services and by Rs.0.66 million or 1.33 % increase in revenue from Portal services . Such decrease is primarily on account of (i) decrease in cybercafé revenue to the extent of Rs 59.72 million or 40.33 %, due to loss of subscribers and lower usage by the existing customers, (ii) decrease in revenue from Voice over IP services to the extent of Rs 26.05 million or 100 % due to due to drop in operational cybercafés and drop in prices caused by the competition, (iii) decrease in revenue from broadband amounting to Rs 33.60 million or 15.32 % on account of lesser utilization as well as loss of accounts , (iv) decrease of Rs 0.95 million or 19.79 % from other services relating to Internet Access services and (v) decrease of revenue amounting to Rs 2.50 million or 42.22 % from online travel business on account of increased competition from the existing operators. These decreases were partially offset by an increase of (a) Rs.4.25 million or 1148.65 % in the revenue from IRCTC due to growth of business,
(b) Rs.7.89 million or 136.74 % in the revenue from Game Dromes due to growth of business ,
(c) Rs.1.71 million or 570 % in the revenue from new initiatives due to growth of business and
(d) Rs.3.16 million or 7.22 % in the revenue from by e-commerce activities due to increased business from the customers,

Revenue from Other services has increased by Rs 39.45 million or 42.15 %, from Rs 93.60 million for three months ended September 30, 2007 to Rs 133.05 million for three months ended September 30, 2008. Such increase is due to increase in the customer base in the e-learning revenue as well as Infrastructure Management System (IMS) stream.

Other income. Other income was Rs.15.08 million($0.32 million) for the quarter ended September 30, 2008, compared to Rs.11.90 million for the quarter ended September 30,2007, representing an increase of Rs.3.18 million, or 26.72 %. Other income primarily comprises of income derived from duty credit entitlements under the Served from India Scheme (issued by the Government of India) in respect of the foreign exchange earnings from export of services. Increase in duty credit entitlement is primarily on account of improvement in the export revenues during the current quarter as compared to the previous quarter ended September, 2007.

Cost of goods sold and services rendered. The cost of goods sold and services rendered was Rs.923.63 million ($19.88 million) for the quarter ended September 30, 2008 compared to Rs.834.92 million for the quarter ended September 30, 2007, representing an increase of Rs.88.71 million, or 10.62 %. This increase was due to (i) a Rs.6.82 million increase in hardware and software costs (ii) a Rs.64.57 million increase in bandwidth costs on account of more utilisation of capacity, (iii) a Rs.61.36 million increase in directly attributable personnel costs to the technology and e-learning departments caused by new addition in the man power resources, (iv) a Rs.2.99 million increase in termination cost for VoIP services, (v) a Rs.11.57 million increase in other direct costs and (vi) a Rs.11.65 million increase in the cost of site development and documents management due to increase in business . These increases have been partly offset by a decrease of (a) Rs.52.69 million in revenue share paid to franchisees and cable television operators due to drop in broadband revenue, (b) Rs 7.95 million in the cost of goods sold associated with Safescrypt i.e., sale of digital services (c) Rs.8.01 million in content cost due to sourcing of low cost service providers and (d) Rs.1.60 million in Ecommerce COGS.

Selling, general and administrative expenses. Selling, general and administrative expenses were Rs.799.53 million ($17.21 million) for the quarter ended September 30, 2008, compared to Rs.616.14 million for the quarter ended September 30, 2007, representing an increase of Rs.183.39 million, or 29.76 %. This increase is mainly on account of increase in maintenance, rental, general and administrative costs at infrastructure facilities.

Depreciation and Amortisation expenses. Depreciation and amortization expenses were Rs.121.57 million($2.61 million) for the quarter ended September 30,2008, compared to Rs.127.31 million for the quarter ended September 30,2007, representing a decrease of Rs.5.73 million, or (4.5%). The decrease is attributable to changes made to the economic lives of computers and networking equipments included under property, plant and equipment.

Income tax expense. The income tax expense was Rs 22.09 million ($0.48 million) for the quarter ended September 30,2008,compared to Rs.20.70 million for the quarter ended September 30, 2007,representing an increase of Rs.1.39 million ,or 6.72% This marginal increase was due to the increased taxable profits earned by the subsidiary.

Net finance income. The net finance income was Rs (20.07 million) ($0.43 million) for the quarter ended September 30, 2008, compared to Rs.34.39 million for the quarter ended September 30, 2007, representing a decrease of Rs.54.46 million, or (158.36 %). The finance income was Rs.31.95 million for the quarter ended September 30,2008,compared to Rs.41.71 million for the quarter ended September 30,2007, representing a decrease of Rs.9.76 million due to decrease in interest income from leases. The finance expense was Rs. 52.02 million for the quarter ended September 30, 2008,compared to Rs.7.32 million for the quarter ended September 30, 2007, representing an increase of Rs.44.70 million due to increase in bank charges on account increased bank borrowings

Share of profit of investment in associate. The share of profit of investment in associate was Rs. 24.29 million ($0.52 million) for the quarter ended September 30,2008,compared to Rs.40.47 million for the quarter ended September 30,2007, representing a decrease of Rs.16.18 or 39.98 %. This was due to sluggish market for MF Global Sify Securities India Private Limited.

Half year ended September 30, 2008 compared to half year ended September 30, 2007

Revenues. We recognized Rs.3,074.62 million ($66.19 million) in revenues for the six months ended September 30, 2008, as compared to Rs.2,876.61 million for the six months ended September 30, 2007, representing an increase of Rs.198.01 million, or 6.88 %.This is driven primarily by Rs 309.89 million or 17.49 % and Rs 76.92 million or 39.85 % increase in revenue from our Corporate network/data services and Other services respectively. The revenue growth has been impacted by Rs 188.80 million or -20.70 % decrease from our Consumer One services

Revenue from Corporate network/data services has increased by Rs 309.89 million, or 17.49 %, from Rs 1,771.77 million for six months ended September 30, 2007 to Rs 2,081.66 million for six months ended September 30, 2008 primarily due to (i) increase of Rs 140.44 million or 12.38 % in the revenue from Connectivity Services on account of increase in the orders from the existing and new customers, (ii) increase of Rs 5.06 million or 3.57 % in Hardware/Software sales on account of increased sales to the existing clients, (iii) increase of Rs 85.02 million or 66 % in Hosting Services on account of execution of new contracts including large projects such as AT&T phase II order , (iv) increase of Rs 42.57 million or 67.46 % in Voice BPO Services on account of higher utilization as well as addition of new clients , (v) increase of Rs.40.37 million or 35.41 % in Application Services due to additional growth from Document Management system (DMS) services and (vi) increase of Rs 1.16 million or 11.79 % from Sify Secure Services due to growth in business and (vii) increase of Rs.1.89 million or 70.52 % from Managed Services due to growth in business. The increase is partially offset by a decrease of Rs 6.62 million or 9.94 % in the revenue from Safescrypt due to drop in business

Revenue from Consumer One services has decreased by Rs 188.80 million or 20.70 % from Rs 911.86 million for six months ended September 30, 2007 to Rs 723.06 million for six months ended September, 2008. This is driven by Rs 194.26 million or 23.75% decrease in revenue from our Internet Access services and by Rs.5.46 million or 5.80 % increase in revenue from Portal services. Such decrease is primarily on account of (i) decrease in cybercafé revenue to the extent of Rs 110.62 million or 37.57 %, due to loss of subscribers and lower usage by the existing customers, (ii) decrease in revenue from Voice over IP services to the extent of Rs 39.54 million or 69.74 % due to drop in operational cybercafés and drop in prices caused by the competition , (iii) decrease in revenue from broadband amounting to Rs 49.10 million or 11.17 % on account of lesser utilization as well as loss of accounts , (iv) decrease of Rs 4.97 million or 87.17 % from Dial up, (v) decrease of revenue amounting to Rs 2.14 million or 25.20 % from other Internet Access Services and (vi) decrease of revenue to the extent of Rs.5.87 million or 44.33% from travel business on account of increased competition from the existing operators. These decreases were partially offset by an (a) increase of Rs.4.28 million or 548.72 % in the revenue from IRCTC due to increase in business, (b) increase of 6.54 million or 56.53% from Game Dromes due to increase in business, (c) increase of Rs.1.29 million from new initiatives due to growth in business and (d) increase of Rs.11.33 million or 14.02% by e-commerce activities due to increased business from the customers.

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Revenue from Other services has increased by Rs 76.92 million or 39.85 %, from Rs.193.00 million for six months ended September 30, 2007 to Rs.269.92 million for six months ended September 30, 2008. Such increase is due to increase in the customer base in the e-learning revenue as well as Infrastructure Management System (IMS) stream.

Other income. Other income was Rs.33.58 million ($0.72 million) for six months ended September 30, 2008, compared to Rs.23.45 million for six months ended September 30,2007, representing an increase of Rs.10.13 million, or 43.19 %. Other income primarily comprises of income derived from duty credit entitlements under the Served from India Scheme (issued by the Government of India) in respect of the foreign exchange earnings from export of services. Increase in duty credit entitlement is primarily on account of improvement in the export revenues .

Cost of goods sold and services rendered. The cost of goods sold and services rendered was Rs.1809.43 million ($38.95 million) for six months ended September 30, 2008 compared to Rs.1590.69 million for six months ended September 30, 2007, representing an increase of Rs.218.74 million, or 13.75 %. This increase was due to (i) a Rs.35.45 million increase in hardware and software costs on account of increase in business, (ii) a Rs.123.37 million increase in bandwidth costs on account of more utilisation of capacity , (iii) a Rs.145.04 million increase in directly attributable personnel costs to the technology and e-learning departments caused by new addition in the man power resources , (iv) a Rs.8.57 million increase in termination cost for VoIP services,(v) a Rs.18.95 million increase in cost of site development and document management system due to increase in business and (vi) a Rs.1.09 million increase in other direct costs . These increases have been partly offset by a decrease of (a) Rs.79.12 million in revenue share paid to franchisees and cable television operators due to drop in broadband revenue, (b) Rs 18.12 million in the cost of goods sold associated with Safescrypt due to drop in business (c) Rs.16.04 million in content cost due to sourcing of low cost service providers and (d) Rs.0.45 million in Ecommerce COGS due to drop in business.

Selling, general and administrative expenses. Selling, general and administrative expenses were Rs.1,441.66 million ($31.03 million) for six months ended September 30, 2008, compared to Rs.1239.43 million for six months ended September 30, 2007, representing an increase of Rs.202.23 million, or 16.31 %. This increase is mainly on account of increase in infrastructure facilities.

Depreciation and Amortisation expenses. Depreciation and amortization expenses were Rs.233.37 million($5.02 million) for six months ended September 30,2008, compared to Rs.247.72 million for six months ended September 30,2007, representing a decrease of Rs.14.35 million, or (5.79 %). The decrease is attributable to changes made to the economic lives of Computers and some items of Plant and Machinery

Income tax expense. The income tax expense was Rs.40.33 million ($0.87 million) for six months ended September 30,2008,compared to Rs.35.76 million for six months ended September 30, 2007,representing an increase of Rs.4.57 million ,or 12.78 % .This marginal increase was due to the increased taxable profits earned by the subsidiary.

Net finance income. The net finance expense was Rs. 20.55 million ($0.44 million) for six months ended September 30, 2008, compared to net finance income of Rs.67.93 million for six months ended September 30, 2007, representing a decrease of Rs.88.48 million, or (130.24 %). The finance income was Rs.65.25 million for six months ended September 30,2008,compared to Rs.84.25 million for six months ended September 30,2007, representing a decrease of Rs.19.00 million due to decrease in interest income from leases. The finance expense was Rs. 85.80 million for six months ended September 30, 2008,compared to Rs.16.33 million for the quarter ended September 30, 2007, representing an increase of Rs.69.48 million due to increase in bank charges on account increased bank borrowings.

Share of profit of investment in associate. The share of profit of investment in associate was Rs.37.10 million ($0.80 million) for six months ended September 30,2008,compared to Rs.65.17million for six months ended September 30,2007, representing a decrease of Rs.28.07, or 43.07 %. The decrease was due to sluggish stock market conditions for MF Global Sify Securities India Private Limited.

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Liquidity and Capital Resources

The following table summarizes our statements of cash flows for the periods presented:

Particulars	Half year ended September 30, 2008	September 30, 2007	September 30, 2008 U.S. Dollars
Profit / (loss) after tax	(400,027)	(80,446)	(8,613)
Other adjustments for non-cash items	381,112	265,643	8,205
Income taxes paid	(44,235)	(65,041)	(952)
Net decrease (increase) in working capital	(116,950)	(29,673)	(2,517)
Net cash from / (used in) operating activities	(129,267)	90,483	(2,783)
Net cash from / (used in) investing activities	(805,259)	(372,708)	(17,336)
Net cash from / (used in) financing activities	282,738	(783,843)	6,087
Effect of exchange rate changes on cash and cash equivalents	1,125	(2,065)	24
Net increase / (decrease) in cash and cash equivalents	(650,663)	(1,068,133)	(14,008)

We intend to continue to focus on the reduction of our cash utilization and increasing our cash surplus in fiscal 2009. Our primary sources of liquidity is from net cash earned from operating activities. Based upon our present business and funding plans, we believe that our cash and cash equivalents of Rs.238.03 million ($5.12) million) as of September 30, 2008, excluding restricted cash included in non-current assets of Rs.1.00 million ($0.02 million). Our external sources of credit include facilities sanctioned from Indian Banks in the form of short term loans, cash credit and overdraft facilities. We believe that our cash and cash equivalents and working capital facilities are sufficient to meet our currently known requirements at least over the next twelve months. Our ongoing working capital requirements are significant affected by the profitability of our operations and we continue to periodically evaluate existing and new sources of liquidity and financing.

Cash balances held in Indian currency were Rs 1,506.32 million and Rs. 1,323.10 million as of March 31, 2008 and September 30, 2008, respectively. These amounts include cash and cash equivalents and restricted cash.

Cash used in operating activities for six months ended September 30, 2008 was Rs.129.26 million ($2.78 million). This is due to increase in working capital requirement of Rs.85.03 million ($1.83 million). This is primarily contributed by increase in other assets by Rs.128.63 million and increase in deferred revenues by Rs.118.68 million.

Cash used in investing activities for six months ended September 30, 2008 was Rs.805.26 million ($17.34 million) and principally consisted of establishment of a new data center and purchase of routers, modems, ports, servers and other capital equipment in connection with the expansion of our network, advances towards property leases of Rs.864.99 ($18.68 million) and expenditure on intangible assets of Rs.71.33 million ($1.54 million).

Cash from financing activities for sixth months ended September 30, 2008 was Rs.282.74 million ($6.09 million) represented by borrowings from banks to the extent of Rs.369.88 million and increase in finance charges by Rs.85.56 million.

Income Tax Matters

As of March 31, 2008, we had a business loss carry forward of approximately Rs.3,894.83 million ($83.85 million) for financial reporting purposes. Under Indian law, loss carry forwards from a particular year may be used to offset taxable income over the next eight years.

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The statutory corporate income tax rate and the surcharge thereon are subject to change in line with the changes announced in the Union Budget each year. For fiscal year 2008, the corporate income tax rate was 30%, subject to a surcharge of 10% and education cess of 3%, resulting in an effective tax rate of 33.99%. For fiscal year 2009 also, the corporate income tax rate is 30%, subject to a surcharge of 10% and education cess of 3%, resulting in an effective tax rate of 33.99%. We cannot assure you that the current income tax rate will remain unchanged in the future. We also cannot assure you that the surcharge will be in effect for a limited period of time or that additional surcharges will not be levied by the Government of India. Currently, dividend income is exempt from tax for shareholders. Domestic companies are liable to pay dividend distribution tax at the rate of 15% plus a surcharge and additional surcharge at the time of the distribution.

The Finance Act, 2005 had introduced income tax on fringe benefits which is in addition to the income tax charged under the Income Tax Act, 1961. Fringe benefits tax (FBT) is payable by every employer in respect of fringe benefits provided or deemed to have been provided by the employer to his employees during the year. An employer is required to pay FBT even if no tax is payable on the total income.

The Finance Act, 2007 had also introduced income tax on stock option grants to employees by way of Fringe Benefit Tax. As per this, FBT is payable by every employer in respect of stock options granted to its employees. FBT is calculated on the equity shares granted to the employees based on the fair market value of the equity shares on the date on which the option vests with the employee as reduced by the amount actually paid by or recovered from the employees in respect of such shares. The Act also permits the employer to recover the FBT from the employees who are exercising their options.

Off-Balance Sheet Arrangement

We have not entered into any off balance sheet arrangement other than contractual obligations such as operating lease arrangements, disclosed below, as defined by SEC final rule 67 (FR-67) Disclosures in Management s Discussion and Analysis .

Contractual obligations

Set forth below are our contractual obligations as of September 30, 2008:

		Payments due by period (Rs 000s)			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**> 5 years**
Long Term Debt Obligations					
Short term borrowings	1,615,633	1,615,633			
Finance Lease Obligations	4,695	2,923	1,772		
Non-cancellable operating	1,834,996	110,636	253,993	217,152	1,253,215
lease obligations Purchase Obligations	993,694	818,252	175,442		

Note

a) Other liabilities amounting to Rs124.30 million primarily comprise of deposits received from franchisees. For such amounts, the extent of the amount and the timing of payment / cash settlement are not readily estimable or determinable, at present. Accordingly, we did not include these under contractual obligations.

b) Standby letter of credit and guarantees disclosed in Note 21 (b) has not been included in the above mentioned table of contractual obligations.

c) In addition to the above noted contractual obligations, in accordance with IAS 19 *Employee Benefits*, the total accrued liability for defined benefit plans recognised as of September 30, 2008, was Rs. 64,568 and disclosed under employee benefits .

d) Purchase obligations include a sum of Rs 234,898 payable within 1 year and a sum of Rs 175,442 payable within 1-3 years to Emirates Integrated Telecommunications PJSC towards purchase of capacity from the Europe India Gateway.

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Item 3. Quantitative And Qualitative Disclosures About Market Risk

General

Market risk is the risk of loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments, foreign currency receivables, payables and debt. Our exposure to market risk is a function of our investment and borrowing activities and our revenue generating activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss.

Risk Management Procedures

We manage market risk through a corporate treasury department, which evaluates and exercises independent control over the entire process of market risk management. Our corporate treasury department recommends risk management objectives and policies which are approved by senior management and our Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, and ensuring compliance with market risk limits and policies on a daily basis.

Refer to note 24 of the Unaudited Condensed Consolidated Interim financial statements for an analysis and exposure arising out of credit risk, liquidity.

Recent Accounting Pronouncements

Following is a short description of new accounting standards becoming effective for annual financial statement periods beginning on or after 1 January 2009.

IFRS 8 Operating Segments introduces the management approach to segment reporting, whereby segment reporting is based on internal management reporting and replaces *IAS 14*. *IFRS 8* aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. Sify early adopted *IFRS 8* in 2008 and has made disclosure of segment information based on the internal reports regularly reviewed by the Group s Chief Operating Decision Maker in order to assess each segment s performance and to allocate resources to them.

Revised *IAS 23 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group s 2009-10 financial statements and will constitute a change in accounting policy for the Group. Sify will not early adopt IAS 23. The amendment is not expected to have a significant impact on Sify.

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. *IFRIC 13*, which becomes mandatory for the Group s 2009-10 financial statements, is not expected to have a significant impact on the Consolidated Financial Statements.

IAS 1 Presentation of Financial Statements , applicable for annual periods beginning on or after January 1, 2009. This Standard permits early adoption except to the extent of amendment made by IAS 27 (as amended in 2008) in paragraph 106. This Standard would be adopted, by the Company as at April 1, 2009.

IFRS 3 (Revised), Business Combinations , as amended, is applicable for annual periods beginning on or after July 1, 2009. Early adoption is permitted. However, this Standard can be applied only at the beginning of an annual reporting period that begins on or after June 30, 2007. The Company would adopt this Standard with effect from April 1, 2009. *IFRS 3 (Revised)* primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with *IAS 39*. Consideration, after this amendment, would include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be required to be carried out through the income statement. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method would result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach would require recording goodwill on NCI as well as on the acquired controlling interest.

IAS 27, Consolidated and Separate Financial Statements , as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided *IFRS 3 (Revised)* is also early adopted. This Standard would be adopted by the company as at April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the NCI is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed of and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net income and reserves to the NCI even if this results in the NCI having a deficit balance.

IFRS 2, Share-based Payment vesting conditions and cancellations specifies the definition of vesting conditions. Vesting conditions are only those conditions that determine whether the entity receives the services that entitle the counterparty to the share-based payment. Conditions other than these are non-vesting conditions. The amendment is not expected to have a significant impact on Sify.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 6-K, our management, with the participation of our chief executive officer and chief financial officer, has carried out an evaluation of the effectiveness of our disclosure controls and procedures. The term disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well conceived and operated, can only provide reasonable assurance that the objectives of the disclosure controls and procedures are met.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 6-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at that reasonable assurance level .

There has been no change in our internal control over financial reporting that occurred during the period covered by the quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The company is subject to legal proceedings and claims, which have arisen in the ordinary course of its business. These legal actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the Company.

See Note 22 of notes to our Unaudited Condensed Consolidated Interim Financial Statements in Part I above and Note 38 of the financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2008.

Item 1A. Risk Factors

This Quarterly Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in our Annual Report on Form 20-F for the fiscal year ended March 31, 2008. The information presented below updates and should be

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read in conjunction with the Risk Factors and information disclosed in our Annual Report on Form 20-F for the fiscal year ended March 31, 2008, which Risk Factors and Information are incorporated herein by reference.

For risks related to the Company and its subsidiaries, ADSs and our trading market, investments in Indian Companies and the Internet Market in India, please refer to our Annual Report for the year ended March 31, 2008 on Form 20-F.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

None.

Items 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description
12.1	Rule 13a-14(a) Certification of Principal Executive Officer
12.2	Rule 13a-14(a) Certification of Principal Financial Officer
13.1	Section 1350 Certification of Principal Executive Officer
13.2	Section 1350 Certification of Principal Financial Officer

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2009

SIFY TECHNOLOGIES LIMITED

By: /s/ M P Vijay Kumar
Name: M P Vijay Kumar
Title: Chief Financial Officer

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EXHIBIT INDEX

Number	Description
12.1	Rule 13a-14(a) Certification of Principal Executive Officer
12.2	Rule 13a-14(a) Certification of Principal Financial Officer
13.1	Section 1350 Certification of Principal Executive Officer
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